

Honolulu, Hawaii

APR 01 2015

RE: S.R. No. 23  
S.D. 1

Honorable Donna Mercado Kim  
President of the Senate  
Twenty-Eighth State Legislature  
Regular Session of 2015  
State of Hawaii

Madam:

Your Committee on Government Operations, to which was referred S.R. No. 23 entitled:

"SENATE RESOLUTION REQUESTING A STUDY REGARDING THE NEED TO INCREASE THE DOLLAR THRESHOLD THAT DETERMINES WHETHER A SMALL PURCHASE IS EXEMPT FROM SMALL PURCHASE PROCUREMENT PROCEDURES, "

begs leave to report as follows:

The purpose and intent of this measure is to request the Procurement Policy Board to:

- (1) Study how the cost of goods, services, and construction have escalated since 1997, considering inflation and other factors;
- (2) Determine a new suggested limit for purchases exempt from small purchase procurement procedures, in light of escalating costs and in accordance with the Legislature's intent in setting the limit at \$25,000 in 1997; and
- (3) Identify additional safeguards, if any, that should be implemented to ensure efficiency, transparency, and accountability in exempt small purchase procurements, should the limit be increased.

Your Committee received comments on this measure from the State Procurement Office and Subcontractors Association of Hawaii.



Your Committee finds that the statutory threshold for procurements exempt from small purchase procurement procedures was adopted in 1997. Over the past eighteen years, costs for goods, services, and construction have all increased substantially. It is prudent to evaluate the statutory limit and determine whether it should be increased to effectuate the Legislature's intent when establishing the \$25,000 threshold in 1997.

Your Committee has amended this measure by:

- (1) Clarifying that small purchase procurements of less than \$100,000 for goods or services or \$250,000 for construction are subject to rule-based small purchase procurement procedures and must be procured through an electronic system, while small purchase procurements of less than \$25,000 are exempt from the electronic system requirements and subject to administrative rules regarding minimum requirements for quotes; and
- (2) Making a technical, nonsubstantive amendment for the purposes of clarity and consistency.

As affirmed by the record of votes of the members of your Committee on Government Operations that is attached to this report, your Committee concurs with the intent and purpose of S.R. No. 23, as amended herein, and recommends that it be referred to the Committee on Ways and Means, in the form attached hereto as S.R. No. 23, S.D. 1.

Respectfully submitted on  
behalf of the members of the  
Committee on Government  
Operations,

  
DONOVAN M. DELA CRUZ, Chair



The Senate  
Twenty-Eighth Legislature  
State of Hawai'i

**Record of Votes**  
**Committee on Government Operations**  
**GVO**

|   |   |                                       |                                  |          |
|---|---|---------------------------------------|----------------------------------|----------|
| Bill / Resolution No.:*   | Committee Referral:   | Date:                                 |                                  |          |
| <b>SR23</b>   | <b>GVO, WAM</b>   | <b>3/31/15</b>                        |                                  |          |
| <input type="checkbox"/> The Committee is reconsidering its previous decision on this measure.<br>If so, then the previous decision was to: _____ |   |                                       |                                  |          |
| The Recommendation is:  |   |                                       |                                  |          |
| <input type="checkbox"/> Pass, unamended<br>2312  | <input checked="" type="checkbox"/> Pass, with amendments<br>2311 | <input type="checkbox"/> Hold<br>2310 |                                  |          |
| <input type="checkbox"/> Recommit<br>2313   |   |                                       |                                  |          |
| Members   | Aye   | Aye (WR)                              | Nay                              | Excused  |
| DELA CRUZ, Donovan M. (C)   | /   |                                       |                                  |          |
| NISHIHARA, Clarence K. (VC)   | /   |                                       |                                  |          |
| IHARA, Jr., Les   | /   |                                       |                                  |          |
| TOKUDA, Jill N.   |   |                                       |                                  | /        |
| SLOM, Sam   |   |                                       |                                  | /        |
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| <b>TOTAL</b>  | <b>3</b>  |                                       |                                  | <b>2</b> |
| Recommendation:   |   |                                       |                                  |          |
| <input checked="" type="checkbox"/> Adopted   |   |                                       |                                  |          |
| <input type="checkbox"/> Not Adopted  |   |                                       |                                  |          |
| Chair's or Designee's Signature:  |   |                                       |                                  |          |
|   |   |                                       |                                  |          |
| <b>Distribution:</b>  |   |                                       |                                  |          |
| Original<br>File with Committee Report  | Yellow<br>Clerk's Office  | Pink<br>Drafting Agency               | Goldenrod<br>Committee File Copy |          |

\*Only one measure per Record of Votes